

# Nigeria | Macroeconomics

# Inflation Report

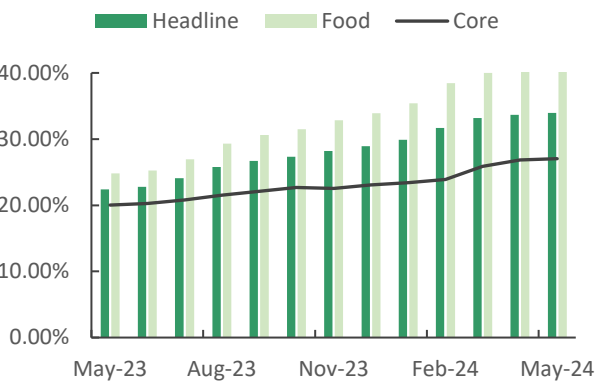
May 2024

## Inflation Report for May 2024

### Key Summary Statistics

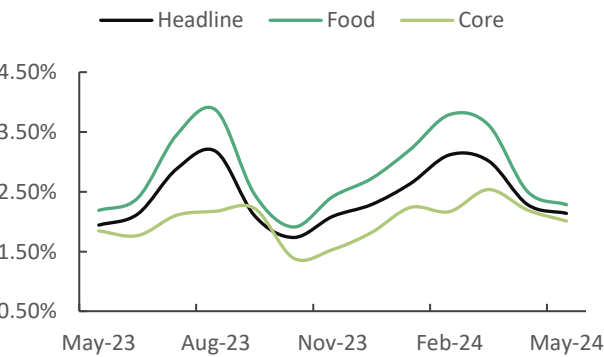
Category	May-2024	Apr-2024	May-2023
Headline Inflation	33.95%	33.69%	22.41%
Food Inflation	40.66%	40.53%	24.82%
Core Inflation	27.04%	26.84%	19.83%
Imported Food Inflation	34.83%	34.01%	18.72%

**Chart 1: Trend in Headline, Food, and Core Inflation (YoY % Change)**



Source: NBS, Meristem Research

**Chart 2: Monthly Inflation Trend (MoM % Change)**



Source: NBS, Meristem Research

Nigeria's headline inflation rose for the seventeenth consecutive month in May 2024 to 33.95% YoY, slightly up from 33.69% in April (and 11bps above our forecast of 33.84% YoY). This increase was driven by a rise in both food and core inflation to 40.66% and 27.04%, respectively, compared to 40.53% and 26.84% in the previous month. The surge in annual food inflation can be attributed to higher prices for Bread and Cereals, Potatoes, Yams and other tubers, Fish, Oil and fats, Meat, Fruits, and Beverages such as Coffee, Tea, and Cocoa. Similarly, the uptick in the core index was fuelled by increased costs for Passenger road transport, Actual and imputed rentals for housing, Medical services, and Pharmaceutical products, among other items. On a monthly basis, all three indices moderated for the second consecutive month - headline, food, and core inflation slowed to 2.14% MoM, 2.28% MoM and 2.01% MoM, respectively (vs 2.29%, 2.50%, and 2.20% in April 2024).

### Food Prices Maintained Northward Trend

Food inflation printed at 40.66% for May 2024, 20bps shy of our forecast of 40.86% and up from 40.53% in April. This uptrend highlights the persistent issues affecting the country's food sector. Also, the ongoing planting season for major crops like yams and tomatoes, combined with an infestation of *Tomato leaf miner pests*, led to a reduction in output. This decline in output, coupled with lower supply during the planting season, led to scarcity and further drove up food prices during this period (as seen in the 72.05% YoY increase in the farm produce index). Additionally, owing to the slight depreciation of the Naira during the month and higher global food prices, the imported food index surged by 34.83% YoY vs 18.72% in May 2023. For context, the Food Agriculture Organization's (FAO) Food Price Index increased for the third consecutive month to 120.40 pts in May 2024 (compared to 119.30 pts in April 2024), reflecting the global rise in food prices. On a monthly basis, inflation moderated for the third consecutive month to 2.01% MoM, down from 2.20% MoM in April 2024.

**We foresee a potential increase in food prices in the short term, driven by sub-par productivity due to ongoing insecurity and persistent supply chain constraints. Nonetheless, we acknowledge the government's different initiatives aimed at boosting agricultural output—such as supplying inputs like rice and ginger seedlings and developing drought- and pest-resistant maize variants—these efforts hold promise for medium to long-term inflation control. Also, we highlight the possibility of food inflation peaking in June 2024 due to the high base effect.**

### Minor Volatility Drives Moderation in the Core Index

Core inflation continued its northward movement, registering at 27.04% YoY in May from 26.84% in April 2024. The depreciation of the Naira remains the primary driver for this increase as the Naira fell by 6.83% MoM to NGN1485.99/USD in May 2024 from NGN1390.96/USD in April 2024. As a result, prices of key components such as rent, transportation, accommodation and medical services surged during the month. However, due to the milder volatility in the FX market during the period, we saw continued moderation in month-on-month figures as the core index rose by 2.01%, a 19bps reduction from 2.20% in April 2024.

**Going forward, we anticipate a sustained moderation in the core index. The USD2.25bn World Bank loan is expected to improve FX market supply, further stabilising the Naira. Furthermore, the expected supply of PMS to the local market by Dangote Refinery could lead to a reduction in product prices and subsequently, lower transportation costs.**

# Contact Information

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